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July 14, 2005

William A. Bonnet
Vice President
Government & Community Affairs

The Honorable Chairman and Members of
the Hawaii Public Utilities Commission
Kekuanaoa Building
465 South King Street, First Floor
Honolulu, Hawaii 96813

FILED
2005 JUL 14 P 3:58
PUBLIC UTILITIES
COMMISSION

Dear Commissioners:

Subject: Docket No. 04-0113- HECO Test Year 2005 Rate Case

HECO's Information Requests to DOD (Revenue Requirements)

In accordance with Stipulated Prehearing Order No. 21727 issued on April 8, 2005, as amended on June 22, 2005,¹ attached is HECO's information requests to the Department of Defense's ("DOD") testimony on revenue requirements.

Sincerely,

Attachment

cc: Division of Consumer Advocacy
Dr. Kay Davoodi
Randall Young, Esq.
Larkin and Associates, Inc.
Hill Associates
Maurice Brubaker
Utilitech, Inc.
Sawvel and Associates, Inc.
David Parcell

¹ On April 29, 2005, HECO, the Consumer Advocate ("CA"), and the DOD (collectively referred to as the "Parties") advised the Commission that the Parties agreed to extend the April 29, 2005 deadline for the CA and the DOD to issued information requests to HECO. The Parties also stated that they would submit for Commission approval, any other scheduled revisions necessitated by the extension. By letter dated June 17, 2005, the Parties submitted for Commission's approval the procedural deadlines leading up to the evidentiary hearing. By letter dated June 22, 2005, the Commission approved the amended procedural schedule.

Hawaiian Electric Company, Inc.
Information Requests to
Department of Defense ("DOD") – Revenue Requirements

HECO/DOD-IR-101

Ref: DOD T-1, page 31, Section F.

In the table of adjustments provided in Section F., the DOD includes two of HECO's revisions to Other Production O&M expenses contained in HECO's response to CA-IR-641, namely a decrease in Production O&M Expense by \$220,000 for Non-labor CHP and a \$75,000 decrease for Sun Power for Schools. HECO's revisions in CA-IR-641 also include increases to Production O&M expense with additions of \$490,000 for changes in betterment accounting (see response to CA-IR-416) and \$1,403,000 for inclusion of Distributed Generation expenses (see response to CA-IR-441). Does the omission of these two upward revisions from the table in Section F indicate the DOD's agreement with these revisions? If not, please explain and provide the basis for the DOD's position and all workpapers supporting the DOD's position.

HECO/DOD-IR-102

Ref: DOD-T-1, page 17 line 23 to page 18 line 3; Exhibit DOD-112, page 1.

- a. What is the basis for the DOD's proposed adjustment to the O&M non-labor lag days?

- b. Does the DOD propose to treat pension and OPEB as cash items or non-cash items in the working cash calculation?
- c. Please provide workpapers supporting the proposed 31 days O&M non-labor payment lag with a detailed description of the calculation.
- d. Please provide a detailed explanation of how the calculations on Exhibit DOD-112 reflect the DOD's position described in response to part (a) above.

HECO/DOD-IR-103

Ref: Exhibit DOD-112, page 1.

In calculating the DOD's adjustment to working cash at proposed rates of \$15,687, please explain why \$(13,108) is being reflected in column H as HECO proposed working cash at proposed rates, vs. the \$(1,288) that HECO reflects as the total working cash at proposed rates in HECO-1907.

HECO/DOD-IR-104

Ref: DOD T-1, page 28, lines 3 to 19.

Is it the position of the DOD that expenses for staff vacancies created by routine events such as retirements, terminations, transfers, etc., and new staff positions created to address new or different operations, such as changing production operations from 2 shifts, 5 days per week to 3 shifts, 7 days a week, or adding a new production night shift maintenance crew should be treated in

the same manner? Please state the reasoning and basis for your response.

HECO/DOD-IR-105

Ref: DOD T-1, page 27, line 15 to page 28 line 1.

- a. Is it the position of the DOD that the availability of Honolulu Units 8 & 9 and Waiau Units 3 & 4 should not be increased from 16 hours per day, 5 days per week to 24 hours per day, 7 days per week? If your answer is “yes”, please state all facts which support your position and produce all studies or analyses, including any workpapers, which support your position.
- b. Assuming that the availability of Honolulu Units 8 & 9 and Waiau Units 3 & 4 is increased from 16 hours per day, 5 days per week to 24 hours per day, 7 days per week, is it the position of the DOD that no additional operators are needed to operate the generating units during the longer hours of availability? If your answer is “yes”, please state all facts which support your position and produce all studies or analyses, including any workpapers, which support your position.

HECO/DOD-IR-106

Ref: DOD T-1, page 27, line 15 to page 28 line 1.

- a. Is it the DOD’s position that HECO will be able to continue to provide reliable electric service to Oahu into the future at

the staffing levels recommended by the DOD? If your answer is “yes”, please state all facts which support your position and produce all studies or analyses, including any workpapers, which support your position.

- b. Does the DOD believe that work to maintain HECO’s generating, transmission and distribution equipment should be focused not only on addressing immediate maintenance needs, but also on addressing long term maintenance which will ensure long term reliability of that equipment?

HECO/DOD-IR-107

Ref: DOD T-1.

- a. Are there any analyses or computations that the witness, or someone acting on his behalf, performed that are not included in the witness’ testimony? If so, please describe in detail all such analyses or computations and provide copies of all documents relating thereto.
- b. To the extent not identified in response to specific HECO Information Requests, please identify all documents upon which the witness relied in formulating the opinions and conclusions contained in his testimony.
- c. Will the witness perform any additional work in this matter prior to the hearing? If so, please describe in detail what work the witness will perform.

HECO/DOD-IR-108

Ref: DOD T-1, page 33, line 13, through page 34, line 19; DOD T-1, page 39, lines 4 through 10.

The DOD indicates the adjustments to HECO's test year estimates for Administrative and General Expenses at DOD T-1, page 33.

The DOD indicates it does not accept HECO's proposal to treat the King Street lease as a capital lease as described in the response to CA-IR-260.

Please provide the DOD's position regarding the company's other revisions to rent expense (revised rent for Central Pacific Plaza and Pauahi Tower) provided in response to CA-IR-260 and responses to CA-IR-617 and CA-IR-618.

If the DOD does not accept the revisions to the Company's

~~other revisions to rent expense provided in response to CA-IR~~

HECO/DOD-IR-110

Ref: DOD T-1, page 21, lines 1-19.

- a. Please provide a cite in the Commission's Decision and Order No. 21698, Docket No. 04-0113, that requires the separation of DSM program expenses already in base rates from HECO's rate case and places them into the Energy Efficiency Docket.
- b. Please explain why \$685,000 of IRP Administrative Costs are includable in base rates while \$618,000 of incremental IRP costs are not.
- c. Please provide a cite in the Commission's Decision and Order No. 21698, Docket No. 04-0113, that separates IRP incremental expenses from HECO's rate case and places them into the Energy Efficiency Docket.

HECO/DOD-IR-111

Ref: Exhibit DOD-116.

The DOD did not increase Customer Services Expense for the additional \$750,000 in Corporate Advertising requested by HECO for a general education and energy awareness message in CA-IR-533, pages 4 to 7. Please explain why the DOD did not include the additional corporate advertising cost in its estimate of Customer Services Expense.

HECO/DOD-IR-112

Ref: DOD T-1, page 25, line 18 to page 26, line 9.

Exhibit DOD-118 adjusts the Company's operating budget for "open" positions. As shown in DOD/HECO-IR-8-8, page 6 of 11, some of the Energy Services/IRP "open" positions are related to DSM programs.

- a. Did the DOD intend to adjust non-DSM operating costs for "open" DSM positions?
- b. If "yes", please explain why. If "no", please provide a revised adjustment for Account 910 Customer Services that removes the effect of "open" DSM positions.

HECO/DOD-IR-113

Ref: DOD T-1, page 31, Adjustments to Production O&M expense.

In the table of adjustments provided in Section F., the DOD adjusts Production O&M expenses for fuel expense for utility-owned CHP. Please explain why the DOD adjusted Production O&M expense for the fuel expense for utility-owned CHP when in response to DOD/HECO-IR-9-2, part e. HECO indicated the fuel expenses for CHP will removed from the test year Fuel Expense estimate (not the Production O&M expense estimate.) In addition, in response to DOD/HECO-IR-9-14, HECO indicated fuel costs for utility owned CHP were not included in Other Production O&M expenses.

HECO/DOD-IR-114

Ref: DOD-T-1, page 37-38, Fuel update place holder.

The DOD states that it has reflected the CA's adjustments C-1 through C-4, which take into consideration the revised 2005 test year sales forecast and updated fuel and purchased power costs. If the CA's adjustment C-4 reflects the removal of the fuel expenses for utility owned CHP, would the DOD agree, the DOD's adjustment #2 on the table on page 31 is a duplicate adjustment?

HECO/DOD-IR-115

Ref: DOD-T-1, page 30, lines 7 to 15, and Exhibit DOD-104, line 5.

- a. On Exhibit DOD-104, line 5, the label "Fuel" should be more appropriately labeled "Fuel and Fuel Related Expenses. Is this is correct?
- b. On Exhibit DOD-104, line 5, the DOD adjustment is shown as \$156,267,000. This appears to be derived from Exhibit DOD-126, line 6, which shows a value of \$156,939,000, reduced by \$672,000 as provided in the referenced testimony. The \$156,939,000 appears to come from CA-301, line 3, column (d), which already includes an adjustment made by the CA as shown on CA-301, line 2, column (d) and on CA-305, page 1. Isn't the DOD proposing a double reduction on fuel related expenses?